

House Engrossed

State of Arizona
House of Representatives
Forty-sixth Legislature
Second Regular Session
2004

CHAPTER 143

HOUSE BILL 2459

AN ACT

AMENDING SECTION 42-5071, ARIZONA REVISED STATUTES; RELATING TO THE PERSONAL
PROPERTY RENTAL CLASSIFICATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 42-5071, Arizona Revised Statutes, is amended to
3 read:

4 42-5071. Personal property rental classification

5 A. The personal property rental classification is comprised of the
6 business of leasing or renting tangible personal property for a
7 consideration. The tax does not apply to:

8 1. Leasing or renting films, tapes or slides used by theaters or
9 movies, which are engaged in business under the amusement classification, or
10 used by television stations or radio stations.

11 2. Activities engaged in by the Arizona exposition and state fair
12 board or county fair commissions in connection with events sponsored by such
13 entities.

14 3. Leasing or renting tangible personal property by a parent
15 corporation to a subsidiary corporation or by a subsidiary corporation to
16 another subsidiary of the same parent corporation if taxes were paid under
17 this chapter on the gross proceeds or gross income accruing from the initial
18 sale of the tangible personal property. For the purposes of this paragraph,
19 "subsidiary" means a corporation of which at least eighty per cent of the
20 voting shares are owned by the parent corporation.

21 4. Operating coin operated washing, drying and dry cleaning machines
22 or coin operated car washing machines at establishments for the use of such
23 machines.

24 5. Leasing or renting tangible personal property for incorporation
25 into or comprising any part of a qualified environmental technology facility
26 as described in section 41-1514.02. This paragraph shall apply for ten full
27 consecutive calendar or fiscal years following the initial lease or rental
28 by each qualified environmental technology manufacturer, producer or
29 processor.

30 6. Leasing or renting aircraft, flight simulators or similar training
31 equipment to students or staff by nonprofit, accredited educational
32 institutions that offer associate or baccalaureate degrees in aviation or
33 aerospace related fields.

34 7. Leasing or renting photographs, transparencies or other creative
35 works used by this state on internet web sites, in magazines or in other
36 publications that encourage tourism.

37 B. The tax base for the personal property rental classification is the
38 gross proceeds of sales or gross income derived from the business, but the
39 gross proceeds of sales or gross income derived from the following shall be
40 deducted from the tax base:

41 1. Reimbursements by the lessee to the lessor of a motor vehicle for
42 payments by the lessor of the applicable fees and taxes imposed by sections
43 28-2003, 28-2352, 28-2402, 28-2481 and 28-5801, title 28, chapter 15,
44 article 2 and article IX, section 11, Constitution of Arizona, to the extent

1 such amounts are separately identified as such fees and taxes and are billed
2 to the lessee.

3 2. Leases or rentals of tangible personal property which, if it had
4 been purchased instead of leased or rented by the lessee, would have been
5 exempt under:

6 (a) Section 42-5061, subsection A, paragraph 8, 9, 12, 13, 25, 29 or
7 50.

8 (b) Section 42-5061, subsection B, except that a lease or rental of
9 new machinery or equipment is not exempt pursuant to section 42-5061,
10 subsection B, paragraph 13 if the lease is for less than two years.

11 (c) Section 42-5061, subsection J, paragraph 1.

12 (d) Section 42-5061, subsection N.

13 3. Motor vehicle fuel and use fuel that are subject to a tax imposed
14 under title 28, chapter 16, article 1, sales of use fuel to a holder of a
15 valid single trip use fuel tax permit issued under section 28-5739 and sales
16 of aviation fuel that are subject to the tax imposed under section 28-8344.

17 4. Leasing or renting a motor vehicle subject to and upon which the
18 fee has been paid under title 28, chapter 16, article 4.

19 5. AMOUNTS RECEIVED BY A MOTOR VEHICLE DEALER FOR THE FIRST MONTH OF
20 A LEASE PAYMENT IF THE LEASE AND THE LEASE PAYMENT FOR THE FIRST MONTH OF THE
21 LEASE ARE TRANSFERRED TO A THIRD PARTY LEASING COMPANY.

22 C. Sales of tangible personal property to be leased or rented to a
23 person engaged in a business classified under the personal property rental
24 classification are deemed to be resale sales.

25 D. In computing the tax base, the gross proceeds of sales or gross
26 income from the lease or rental of a motor vehicle does not include any
27 amount attributable to the car rental surcharge under section 28-5810 or
28 48-4234.

29 E. Until December 31, 1988, leasing or renting animals for
30 recreational purposes is exempt from the tax imposed by this
31 section. Beginning January 1, 1989, the gross proceeds or gross income from
32 leasing or renting animals for recreational purposes is subject to taxation
33 under this section. Tax liabilities, penalties and interest paid for taxable
34 periods before January 1, 1989 shall not be refunded unless the taxpayer
35 requesting the refund provides proof satisfactory to the department that the
36 monies paid as taxes will be returned to the customer.

APPROVED BY THE GOVERNOR APRIL 23, 2004.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 23, 2004.

Passed the House March 15, 2004,

Passed the Senate April 15, 2004,

by the following vote: 56 Ayes,

by the following vote: 29 Ayes,

1 Nays, 3 Not Voting

0 Nays, 1 Not Voting

Jake Flake
Speaker of the House

Ken Blumenthal
President of the Senate

Norman L. Moore
Chief Clerk of the House

Charmaine Bellington
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

19th day of April, 2004,

at 2:30 o'clock P. M.

Jennifer Upbarra
Secretary to the Governor

Approved this 23 day of

April, 2004,

at 2:00 o'clock P. M.

J. N. ...
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 23 day of April, 2004,

at 3:05 o'clock P. M.

Janice K. Brewer
Secretary of State

H.B. 2459